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January 2007

**RE: 2400 14th Street, NW, Washington, DC
District of Columbia Economic Impact Overview**

Bolan Smart Associates has been asked to provide an overview of the magnitude of economic importance to the District of Columbia of constructing a mixed-use development comprising approximately 18,000 square feet of retail and 225 residential condominiums, including 15-16 moderate income units. Not only does this development represent expanded economic use of the site and to this District of Columbia neighborhood – including more than 320 residents – the project will help realize the urban transformation of this part of 14th Street.

Based on evaluating a 100% completed project, our findings are summarized below.

1. **Direct Annual District Tax Revenue:** The principal direct tax revenues to the District of Columbia resulting from the completion of this project – calculated in \$2007 – total \$3.72 million per year in terms of gross tax revenue generated. The primary components of the project generated taxes, as summarized in Tables 2 to 4, are estimated to be comprised of:
 - 1) \$0.86 million per year in real estate taxes. (This compares with \$0.048 million in real estate taxes for the 2005 tax year for the property as currently improved);
 - 2) \$0.55 million in (non-tenant or resident related) retail related taxes attributable to \$6.44 million in overall annual on-site taxable retail sales derived from the provision of approximately 18,000 rentable square feet of retail. (See Table 2). This on-site retail related sales tax, representing 14.9% of the total estimated project tax impact, will replace the taxes assumed to be attributable to the similar sized (18,050 rsf) current retail related use of the subject site;
 - 3) \$0.009 million per year in employment related sales tax revenues, consequent from \$0.11 million in annual taxable sales (\$42 per week in retail expenditures per employee). (See Table 2);
 - 4) \$1.67 million per year in new DC resident income taxes derived from the development of 225 condominium apartments. (See Tables 3 and 4);
 - 5) \$0.31 million per year in DC resident retail sales tax revenues, attributable to \$4.13 million in DC based taxable sales (@ 40% to 50% DC capture of DC resident retail sales). (See Tables 3 and 4);

- 6) \$0.14 million in DC resident related use taxes and fees (residential building operations, resident DMV fees, utility and telecommunications fees, etc.). (See Tables 3 and 4); and
 - 7) \$0.17 million in recurring condominium sale transfer and recordation fees (@ 7.0% annual turnover). (See Tables 3 and 4)
2. **Economic Activity Benefits:** The addition of a substantial residential presence at the subject property should generate millions of dollars in additional annual economic activity not directly accounted for in the project-specific tax generation data. Over 50 retail related jobs and project support jobs are estimated to be replacing the current commercial employment at the property. This job generation is in addition to the 167 construction related jobs estimated to be created spanning each month of the project's 24-month construction period.
3. **Construction Related Benefits:** The combination of initial recordation fees, development processing fees and permits, could generate well in excess of \$2.5 million of direct District of Columbia revenues. In addition, the purchase of \$27.0 million of construction materials – while not explicitly quantified as part of this report – will obviously benefit the District.

**Table 1 - Combined Land Uses - 2400 14th Street, NW
ECONOMIC IMPACT SUMMARY - \$2007**

Direct Annual District Tax Revenues

District Tax Revenue

		<u>taxable value</u>	<u>tax value per sf</u>	<u>RE tax</u>	<u>total</u>
1) Real Estate Tax	retail	\$5,574,625	\$310	\$103,131	
see Tables 2-4	resid condominiums	\$84,018,000	\$487	\$739,358	
	moderate priced condo	<u>\$2,010,000</u>	\$152	<u>\$17,688</u>	
	total	\$91,602,625			\$860,177
2) Retail Space Direct Tax (non real estate)	general retail	<u>gross DC taxes</u> \$414,029	<u>net DC retail related tax</u> 100.0%	\$414,029	
see Table 2	restaurant	<u>\$141,191</u>	100.0%	<u>\$141,191</u>	\$555,220
3) Employee Related Sales Tax Revenue	retail employees	\$106,704		\$8,536	\$8,536
see Table 2					
4) DC Resident Income Tax	resid condominiums	<u>total potential</u> \$1,813,095	<u>net DC income tax</u> 100.0%	\$1,631,786	
see Tables 3-4	moderate priced condo	<u>\$46,443</u>	100.0%	<u>\$41,798</u>	
	total	\$1,859,538			\$1,673,584
5) DC Resident Retail Expenditures	resid condominiums	<u>total potential taxable sales</u> \$10,011,133	<u>other capture</u> 40.0%	<u>DC sales tax</u> \$300,334	
see Tables 3-4	moderate priced condo	<u>\$256,608</u>	50.0%	<u>\$9,623</u>	
	total	\$10,267,741			\$309,957
6) Other DC Resident Related Fees	resid condominiums			\$133,482	
see Tables 4-4	moderate priced condo			<u>\$3,849</u>	\$137,331
7) Recurring Condo Resale Transfer Fees			<u>annual unit turnover</u> 7.0%		<u>\$174,174</u>
see Table 3-4					
Total Direct Annual DC Tax Revenue		\$3,718,979			\$3,718,979
8) Total Direct Annual Tax Revenue By Use	retail	<u>gross DC taxes</u> \$666,887	<u>net DC taxes</u> 100.0%	\$666,887	
see Tables 2-4	resid condominiums	\$2,973,937	100.0%	\$2,973,937	
	moderate priced condo	<u>\$78,156</u>	100.0%	<u>\$78,156</u>	
Total Direct Annual DC Tax Revenue		\$3,718,979			\$3,718,979

One-time District Revenue

Property Transfer Tax, Deed Recordation Taxes and Development Fees	\$2,500,000+
First-time Homebuyer DC Income Tax Credit	not considered
Construction Related Sales Tax	not considered

	<u>total residents</u>	<u>net DC residents</u>
Additional Project Related Residents		
see Tables 3-4		
resid condominiums	301	301
moderate priced condo	<u>23</u>	<u>23</u>
total	324	324

	<u>DC jobs</u>	<u>DC residents</u>
Direct Project Full Time Employment(FTE jobs)		
see Table 2		
Retail	49	35.0%
Residential	<u>3</u>	35.0%
Total Permanent FTE Jobs	52	18
Temporary Construction FTE Jobs (a)	<u>167</u>	35%
Total FTE Jobs	219	76

Indirect Employment, Economic and Tax Multipliers

not considered

(a) Construction employment: \$45,000,000 construction cost x 40% direct labor divided by \$54,000 average annual income, equaling 333 person years divided by 2.0 years for project completion, realizing 167 construction full time equivalent jobs.

Table 2 - Retail
2400 14th Street, NW - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2007

Project Description

- 1) General Retail 14,500 gsf
- 2) Restaurant 3,500 gsf
- 3) Total Retail 18,000 gsf
- 4) Parking 18 spaces
- 5)

Direct Project Full Time Employment(a)

- 350 sf per retail job
49 retail jobs
- 49 total jobs

Real Estate Tax

- 6) General Retail Real Estate Value
- 7) Restaurant Real Estate Value
- 8) Parking (included above)
- 9) Real Estate Assessment
- 10) Real Estate Tax Revenue
- 11) **Total Real Estate Tax Revenue**

Retail Direct Tax Revenues

- 12) On-site Taxable Retail Sales (adjusted for 5% vacancy)
- 13) DC Average Applicable Sales Tax (blended rate)
- 14) Sales Tax Net of On-Site Residents
- 16) DC Corporate Tax
- 17) Business Personal Property
- 18) Business Personal Property Tax
- 19) Other Operating Taxes and Fees (b)
- 20) Total Retail Related Taxes
- 21) **Net DC General Retail Related Tax Capture**

Restaurant / Entertainment Direct Tax Revenue:

- 22) On-site Taxable Retail Sales (adjusted for 5% vacancy)
- 23) DC Average Applicable Sales Tax
- 24) Sales Tax Net of On-Site Residents or Office Tenants
- 25) DC Corporate Tax
- 26) Business Personal Property (adjusted for 5% vacancy)
- 27) Business Personal Property Tax
- 28) Other Operating Taxes and Fees (b)
- 29) Total General Retail Related Taxes
- 30) **Net DC Restaurant Related Tax Capture**

Parking

- 31) Parking Income (discounted for retail patrons)
- 32)
- 33) **DC Parking Revenue Tax**

Employee Related Sales Tax Revenue:

- 34) FTE Employee Retail Expenditures Subject to Sales Tax
- 35) **Employee Related Sales Tax**

Total Direct Annual Tax Revenue:

- 36)

Building / Parking		
	one sf	total sf
	\$303.41	\$4,399,391
	\$335.78	\$1,175,234
		NA
100.00% of assessment	\$309.70	\$5,574,625
1.85% commercial tax rate	\$5.73	<u>\$103,131</u>
	\$5.73	<u>\$103,131</u>
	one sf	total sf
\$365 per sf	\$346.75	\$5,027,875
7.00%	<u>\$24.27</u>	<u>\$351,951</u>
95.0% not on-site consumers	\$23.06	\$334,354
9.975% on 10% profit on gross	<u>\$3.46</u>	<u>\$50,153</u>
\$45.00 FF&E per sf	<u>\$45.00</u>	<u>\$652,500</u>
\$3.40 per \$100 assessed value	\$1.53	\$22,185
\$0.55 per sf	<u>\$0.51</u>	<u>\$7,337</u>
	<u>\$28.55</u>	<u>\$414,029</u>
100.0% net DC sales	\$28.55	<u>\$414,029</u>
	one sf	total sf
\$425 per sf	\$403.75	\$1,413,125
9.0% net 1% convention center	<u>\$36.34</u>	<u>\$127,181</u>
92.0% not on-site consumers	\$33.43	\$117,007
9.975% on 10% profit on gross	\$4.03	\$14,096
\$75.00 FF&E per sf	<u>\$71.25</u>	<u>\$249,375</u>
\$3.40 per \$100 assessed value	\$2.42	\$8,479
\$0.50 per sf	<u>\$0.46</u>	<u>\$1,610</u>
	<u>\$40.34</u>	<u>\$141,191</u>
100.0% net DC sales	\$40.34	<u>\$141,191</u>
	one space	total spaces
\$0.00 per space per day		
\$0 per space per year	\$0	\$0
12.0% of gross revenue	\$0	\$0
	one sf	total sf
\$42.00 per FTE per week	<u>\$5.93</u>	<u>\$106,704</u>
8.0% mostly meals	\$0.47	<u>\$8,536</u>
net	\$37.05	<u>\$666,887</u>

Notes:

- (a) FTE is full time equivalent employee, assumed at 40 hours per week.
- (b) Operations purchases, utility and telecommunications fees, other business license fees and charges.

Table 3 - Residential Condominiums
2400 14th Street, NW - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2007

Project Description		Project Related DC Residents
1) Condominiums	225 units	1.5 persons / unit
2)		<u>201</u> occupied units
3) Market Units	209 units	301 total residents
4) Average Size	825 nsf (net saleable area)	<u>100.0%</u> net residents
5) Total Saleable SF	172,425 nsf	301 DC residents

Real Estate Tax

		Building / Parking	
		one sf	total sf
6) Condominium Real Estate Value (including parking)		\$560.00	\$96,558,000
7) DC Homestead Exemption	\$60,000 per unit	(\$72.73)	(\$12,540,000)
8) Seniors Exemption	considered unlikely		<u>\$0</u>
9) Taxable Residential Real Estate Value		\$487.27	\$84,018,000
10) Parking (included above)			<u>NA</u>
11) Total Taxable Real Estate Value	100.0% of assessment	\$487.27	\$84,018,000
12) Residential Real Estate Tax	0.88% residential tax rate	\$4.29	\$739,358.40
13) Total Real Estate Tax Revenue		\$4.29	\$739,358

Residential Direct Tax Revenues

		one unit	total units
14) Average Unit Value	\$560.00 per sf	\$462,000	\$96,558,000
15) Required Gross HH Income	30.0% multiple of unit value	\$138,600	\$28,967,400
16) Taxable Income	80.0% of gross	\$110,880	\$23,173,920
17) Initial DC Income Tax	\$30,000 of initial taxable income	\$2,000	\$418,000
18) Additional DC Income Tax	8.7% DC tax rate over initial	<u>\$7,037</u>	<u>\$1,470,641</u>
19) Total Potential DC Income Taxes		\$9,037	\$1,888,641
20) Income Taxes Adjusted for Average Occupancy	96.0% occupancy	\$8,675	\$1,813,095
21) Potential DC Residents	90.0% of residents pay taxes	<u>\$7,808</u>	<u>\$1,631,786</u>
22) Income Tax Revenue Adjusted for Resident Status		\$7,808	\$1,631,786
23) Resident Retail Expenditures Subject to Sales Tax	45.0% of taxable income	\$47,900	\$10,011,133
24) District of Columbia Resident Sales Capture	40.0% of expenditures	<u>\$19,160</u>	<u>\$4,004,453</u>
25) DC Average Applicable Sales Tax (a)	7.5% blend of categories	\$1,437	\$300,334
26) Other Resident Related Use Taxes and Fees (b)	0.6% of taxable income	\$639	\$133,482
27) Personal Property Tax (c)			<u>not considered</u>
28) Total Residential Direct Tax Revenues		\$9,883	\$2,065,602

Recurring Property Resale Transfer Fees

29) Annual Re-sales Related Taxes (2.5% combined fees)	7.0% annual unit turnover	\$0.98	\$168,977
30) Annual Refinance Deed Recordation Taxes			not calculated

Parking (included with unit purchase)

Total Direct Annual Tax Revenue

31)	net	\$17.25	\$2,973,937
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Notes:

- (a) Based on blend of sales tax on general goods and services and DC retained sales tax on restaurant related sales.
- (b) Building operations purchases, resident DMV fees, utility and telecommunications fees, other licensing fees and charges.
- (c) Fixtures, etc. included in real property value; residents assumed not to exceed \$50,000 personal property exemption.

Table 4 - Moderately Priced Condominiums
2400 14th Street, NW - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2007

Project Description

1) Condominiums	225 units
2) Moderate Priced Component	(15% of additional FAR)
3) Moderate Priced Units	16 units
4) Average Size	825 nsf (net saleable area)
5) Total Saleable SF	13,200 nsf

Project Related DC Residents

1.5 persons / unit
15 occupied units
23 total residents
100.0% net residents
23 DC residents

Real Estate Tax

6) Condominium Real Estate Value (including parking)
7) DC Homestead Exemption
8) Seniors Exemption
9) Taxable Residential Real Estate Value
10) Parking (included above)
11) Total Taxable Real Estate Value
12) Residential Real Estate Tax
13) Total Real Estate Tax Revenue

Building / Parking		
	one sf	total sf
	\$225.00	\$2,970,000
\$60,000 per unit	(\$72.73)	(\$960,000)
considered unlikely		\$0
	\$152.27	\$2,010,000
		NA
100.00% of assessment	\$152.27	\$2,010,000
0.88% residential tax rate	\$1.34	\$17,688.00
	\$1.34	\$17,688

Residential Direct Tax Revenues

14) Average Unit Value
15) Required Gross HH Income
16) Taxable Income
17) Initial DC Income Tax
18) Additional DC Income Tax
19) Total Potential DC Income Taxes
20) Income Taxes Adjusted for Average Occupancy
21) Potential DC Residents
22) Income Tax Revenue Adjusted for Resident Status
23) Resident Retail Expenditures Subject to Sales Tax
24) District of Columbia Resident Sales Capture
25) DC Average Applicable Sales Tax (a)
26) Other Resident Related Use Taxes and Fees (b)
27) Personal Property Tax (c)
28) Total Residential Direct Tax Revenues

	one unit	total units
\$225.00 per sf	\$185,625	\$2,970,000
30.0% multiple of unit value	\$55,688	\$891,000
75.0% of gross	\$41,766	\$668,250
\$30,000 of initial taxable income	\$2,000	\$32,000
8.7% DC tax rate over initial	<u>\$1,024</u>	<u>\$16,378</u>
	\$3,024	\$48,378
96.0% occupancy	\$2,903	\$46,443
90.0% of residents pay taxes	<u>\$2,612</u>	<u>\$41,798</u>
	\$2,612	\$41,798
40.0% of taxable income	\$16,038	\$256,608
50.0% of expenditures	<u>\$8,019</u>	<u>\$128,304</u>
7.5% blend of categories	\$601	\$9,623
0.6% of taxable income	\$241	\$3,849
		<u>not considered</u>
	\$3,454	\$55,270

Recurring Property Resale Transfer Fees

29) Annual Re-sales Related Taxes (2.5% combined fees)
30) Annual Refinance Deed Recordation Taxes

7.0% annual unit turnover	\$0.39	\$5,198
		not calculated

Parking (included with unit purchase)

Total Direct Annual Tax Revenue

31)

net	\$5.92	\$78,156
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Notes:

- (a) Based on blend of sales tax on general goods and services and DC retained sales tax on restaurant related sales.
- (b) Building operations purchases, resident DMV fees, utility and telecommunications fees, other licensing fees and charges.
- (c) Fixtures, etc. included in real property value; residents assumed not to exceed \$50,000 personal property exemption.